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FM AMEMBASSY QUITO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7257
INFO RUEHBO/AMEMBASSY BOGOTA PRIORITY 6733
RUEHCV/AMEMBASSY CARACAS PRIORITY 2590
RUEHLP/AMEMBASSY LA PAZ JUN 0634
RUEHPE/AMEMBASSY LIMA PRIORITY 1737
RUEHBR/AMEMBASSY BRASILIA PRIORITY 3758
RUEHGL/AMCONSUL GUAYAQUIL PRIORITY 2482
RUEHSO/AMCONSUL SAO PAULO PRIORITY 0193
RUEHRI/AMCONSUL RIO DE JANEIRO PRIORITY 0045
RHMFIUU/DEPT OF ENERGY WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS QUITO 001424

SIPDIS

SENSITIVE
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DEPT FOR WHA/EPSC FAITH CORNEILLE
TREASURY FOR SGOOCH

E.O. 12958: N/A
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SUBJECT: CONGRESS REJECTS PRESIDENT'S PETROLEUM BILL

REFTEL: QUITO 1422

¶1. (SBU) Summary: The Correa administration's bill to sanction trafficking in contraband petroleum and its derivatives was rejected June 19 by Congress on the grounds that it was too broad, the penalties were too heavy, it referred to more than one issue, and certain parts of it were unconstitutional. Congress returned the law to the President suggesting revisions. End Summary.

¶2. (U) The Correa administration presented Congress with a measure to stop the rampant illegal trade in petroleum derivatives. Because derivatives are highly subsidized in Ecuador, contraband derivatives are often smuggled to Peru and Colombia. The issue is also problematic in the marine sector, where fishing boats sell contraband subsidized diesel at sea.

¶3. (SBU) The bill would have allowed the Ministry of Energy, the Director for Hydrocarbons, or a designated party to essentially fine and suspend operations of anyone they determined was permitting trafficking, intending to traffic, or actually trafficking in contraband petroleum or its derivatives. It specifically denied recourse to an injunction ("recurso amparo") or administrative review for those sanctioned. A U.S. oil company expressed concern that the bill provided for fines and payment of damages for unspecified contract violations, which they feared could be used against them or other foreign oil companies. Fines for many violations could have reached up to approximately USD 500,000.

¶4. (SBU) COMMENT: This is the third measure that Correa has supported that has been rejected or substantially modified by Congress in the past two weeks (see ref tel on the Santa Elena province proposal, septel on the banking law). While the version Correa presented was not acceptable to Congress, it also contained provisions to promote the development of natural gas fields. Congress might also support more limited measures to combat contraband. A new, more focused law could gain passage. END COMMENT.

JEWELL